

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 8, 2021**

Merge 56 Affordable, located at the corner of Carmel Mountain Road and Merge Avenue in San Diego, requested and is being recommended for a reservation of \$1,514,444 in annual federal tax credits to finance the new construction of 47 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Rise Urban Partners, LLC and will be located in Senate District 39 and Assembly District 77.

Project Number CA-21-765

Project Name Merge 56 Affordable
Site Address: Corner of Carmel Mountain Road and Merge Avenue
San Diego, CA 92129 County: San Diego
Census Tract: 83.66

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,514,444	\$0
Recommended:	\$1,514,444	\$0

Applicant Information

Applicant: Merge 56 Affordable, LP
Contact: David Allen
Address: 3525 Del Mar Heights Road #211
San Diego, CA 92130
Phone: 509-280-5469
Email: david@trestlebuild.com

General Partner(s) or Principal Owner(s): Merge 56 Affordable, LLC
AOF Pacific Affordable Housing Corp
General Partner Type: Joint Venture
Parent Company(ies): Rise Urban Partners, LLC
The American Opportunity Foundation, Inc.
Developer: Rise Urban Partners, LLC
Bond Issuer: San Diego Housing Commission
Investor/Consultant: Red Stone Equity Partners
Management Agent: Hyder & Company Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 47
No. / % of Low Income Units: 47 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt

Information

Housing Type: Large Family
Geographic Area: San Diego County
TCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 5	11%
50% AMI: 5	11%
60% AMI: 37	79%

Unit Mix

8 1-Bedroom Units
24 2-Bedroom Units
11 3-Bedroom Units
<u>4 4-Bedroom Units</u>
47 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	\$682
1 1 Bedroom	50%	\$1,136
6 1 Bedroom	60%	\$1,364
2 2 Bedrooms	30%	\$818
2 2 Bedrooms	50%	\$1,363
20 2 Bedrooms	60%	\$1,636
1 3 Bedrooms	30%	\$945
1 3 Bedrooms	50%	\$1,575
9 3 Bedrooms	60%	\$1,890
1 4 Bedrooms	30%	\$1,054
1 4 Bedrooms	50%	\$1,757
2 4 Bedrooms	60%	\$2,109

Project Cost Summary at Application

Land and Acquisition	\$1,235,001
Construction Costs	\$15,065,427
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$747,021
Soft Cost Contingency	\$290,000
Relocation	\$0
Architectural/Engineering	\$1,208,138
Const. Interest, Perm. Financing	\$1,677,500
Legal Fees	\$160,000
Reserves	\$370,000
Other Costs	\$5,956,944
Developer Fee	\$3,812,821
Commercial Costs	\$0
Total	\$30,522,852

Residential

Construction Cost Per Square Foot:	\$270
Per Unit Cost:	\$649,422
True Cash Per Unit Cost*:	\$633,761

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Pacific Western Bank - Tax Exempt	\$16,000,000	Pacific Western Bank - Tax Exempt	\$7,170,000
Sea Breeze 56, LLC Loan	\$6,224,820	Sea Breeze 56, LLC Loan	\$6,224,820
Accrued Interest	\$335,211	Accrued Interest	\$335,211
NOI During Lease-Up	\$150,000	NOI During Lease-Up	\$150,000
Deferred Costs, Reserves, and Fees	\$3,960,321	Developer Fee Loan	\$2,276,741
Tax Credit Equity	\$3,852,500	Deferred Developer Fee	\$736,080
		Tax Credit Equity	\$13,630,000
		TOTAL	\$30,522,852

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$29,231,627
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$38,001,115
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,514,444
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,812,821
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.90000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions

In lieu of 1 on-site manager unit, the project is committing to employ an equivalent number of on-site full-time property management staff (at least one of whom is a property manager) and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property’s fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC reserves the right to require that one or more on-site managers’ units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

The current legal description is part of a larger site and the project site’s parcel (legal description and APN) have not yet been finalized. The legal description and APN must be completed as part of the placed in service package.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.